To: Kuruc, Nick, Moulton, G, Evanchik, A E., Wolfe, Laney, Mallardi, J, Groll, A P., Perez, F J., Maney, F, Addessi, A, Richards, M, Mitchell, Greg, Grossberg, S, Gambardella, Mark R., Brown, Greg
From: McHugh, Michael
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Subject: CTS Targeting / Plan

To: DM's, KAM's and AM's

I was involved in a process which identifies areas within the Region for potential new CTS growth. The process weights different factors which are either positive or negative in determining possible new CTS success by city. In NYC it had to be broken down to the zip code level, with the exception of Queens. Queens has different city names for different parts of the borough.

There are two attachments. The Word document summarizes the findings after going through the process. It also includes a one page action plan for CTS contract and discounting strategies. The Excel workbook has the actual targeting information by city. There are separate sheets for each unique geography i.e. NJ, CT, LI, Westchester/Rockland, NYC Total as well as each borough of NYC individually. There are other things you can learn from this information. i.e. Where do I have a lockout problem? You can sort this information any way you wish.

Some positive factors for potential CTS growth are:

Total CIV of City - The higher the better

High % of Traditional Carton Outlet CIV - (SM / MM) These Outlet types are extremely susceptible to CTS - Very similar customer base

PM EX / RJR Lockout CIV % - Areas with high % of PM EX / LO CIV have opportunity for new CTS utilizing industry approach due to other outlets in area not satisfying all consumers.

Less than 50% CIV in CG - These customers don't interact with CTS so high CG CIV% limits potential for CTS success.

Low CTS CIV currently - When some of the above positive factors are in place and the geography you are looking at currently has a low % of CTS CIV, potential success for a new CTS outlet is good. It is not wise to move into areas that currently have a significant amount of volume already locked up in the CTS class of trade. i.e. Mastic L.I. is the highest CIV city on Long Island (the #1 positive factor) but 90% of the CIV is currently locked up in CTS outlets. This is not the place a retailer would want to go to open up a new CTS location.

I know this explanation is not enough to ensure complete understanding of this whole targeting process but I wanted to get this information out to you ASAP. We will take some time to go into this process at our next meeting.

In the mean time if you have any questions, please give me a call.

Mike

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